



DEVELOPMENT CO-OPERATION DIRECTORATE

Cancels & replaces the same document of 24 May 2000

**DAC WORKSHOP: TOWARDS GOOD PRACTICES FOR DONORS ON CAPACITY  
DEVELOPMENT FOR TRADE**

**CASE STUDY OF: EAST AFRICAN ENTERPRISE NETWORK, SOUTHERN AFRICAN  
ENTERPRISE NETWORK, WEST AFRICAN ENTERPRISE NETWORK**

*This case study on the expanding enterprise networks in Africa considers lessons learned for donors in fostering a regional approach to trade and investment development as a stepping stone to regional and global integration. It also provides a unique model for ways in which the new generation of entrepreneurs can contribute to enhancing international competitiveness and to developing and implementing a trade reform agenda. It has been prepared as a contribution by a private firm in connection with USAID for the discussion at the workshop on 29-30 May 2000 towards good practices for donors in capacity development for trade. This case study represents the views of Management Systems International (MSI), the main contractor on this OECD managed programme from 1995-1999.*

Contact person: Ebba Dohlman [Tel: (33) 1 45 24 98 48 / Fax: (33) 1 44 30 63 33 / Email:  
ebba.dohlman@oecd.org]

JT00110599

## TABLE OF CONTENTS

Acronyms .....	4
I. The Enterprise Network Initiative .....	5
A. Introduction .....	5
B. Background .....	5
<i>The political context</i> .....	6
<i>The economic context</i> .....	6
<i>Recent positive trends</i> .....	7
<i>Enterprise network organization</i> .....	8
<i>Illustrative achievements</i> .....	9
II. Constraints to trade and needs for capacity development .....	11
A. Policy and supply-side constraints to regional and international trade .....	11
<i>Macroeconomic environment</i> .....	11
<i>Sectoral policies</i> .....	12
<i>Factor costs</i> .....	12
<i>Transaction costs</i> .....	12
<i>Access to finance</i> .....	12
<i>Foreign direct investment</i> .....	12
<i>Policy-driven barriers to regional finance and investment</i> .....	12
<i>Behavioural barriers to regional finance and investment</i> .....	12
<i>Trade institutions</i> .....	13
<i>Regional economic integration institutions</i> .....	13
B. Trade capacity development needs for the Enterprise Networks .....	19
III. Donor efforts to promote Enterprise Network trade capacity development .....	20
A. <i>Donor support for the Enterprise Networks</i> .....	20
B. <i>Seed capital for regional institution building and networking</i> .....	21
C. <i>Technical assistance to launch, promote and develop the Networks</i> .....	21
<i>Identification of core membership</i> .....	21
<i>Development of a strategic action plan</i> .....	21
<i>Building skills for policy advocacy</i> .....	22
<i>Strategy developments for achieving financial sustainability</i> .....	22
<i>Exchange of experience among national units</i> .....	22
<i>Branding and external relations</i> .....	22
D. <i>Developing business linkages</i> .....	23
E. <i>The Regional Trade Information Centre (RTIC)</i> .....	24
F. <i>Public/private partnerships for reform</i> .....	24
G. <i>Allocation of resources</i> .....	24
H. <i>Local ownership</i> .....	25
I. <i>Sustainability</i> .....	25
J. <i>Donor co-ordination</i> .....	26
IV. Conclusions and recommendations .....	27
A. Conclusions .....	27

<i>Trade is not (yet) a high government priority in Africa .....</i>	27
<i>The formal private sector must lead the charge .....</i>	27
<i>Regional markets are key to the transition to globalisation .....</i>	27
<i>Public/private partnerships must be real and regular .....</i>	28
<i>Enterprise Networks can play a pivotal role in regional and international trade development .....</i>	28
<b>B. Recommendations .....</b>	28
<i>Make regional integration a priority .....</i>	28
<i>Assist in increasing access to MT/LT financing .....</i>	30
<i>Encourage private business/business linkages programs .....</i>	30
<i>Promote use of IT and facilitate information flows for trade .....</i>	30
<i>Encourage productive trade promotion forums .....</i>	31
<i>Strengthen multilateral trade negotiation capacity .....</i>	31
<i>Publicize success stories .....</i>	31
<i>Create a donor/public/private sector focus group .....</i>	31
<b>Annex: Club du Sahel - Meeting of the PSSP Steering Committee, 28 and 29 October 1999</b>	33
<b>References .....</b>	38

**CASE STUDY OF:**

**EAST AFRICAN ENTERPRISE NETWORK  
SOUTHERN AFRICAN ENTERPRISE NETWORK  
WEST AFRICAN ENTERPRISE NETWORK**

**Report prepared by:**

**Deborah Orsini  
Management Systems International  
Washington, D.C.**

**Acronyms**

AFD	Agence française de développement
BABA	British African Business Association
CCA	Corporate Council on Africa, USA
DfID	Department for International Development, U.K.
EAEN	East African Enterprise Network
FOWA	Forum West Africa
OECD	Organisation for Economic Cooperation and Development
RTIC	Regional Trade Information Center
SAEN	Southern African Enterprise Network
SME	Small to medium scale enterprise
WAEN	West African Enterprise Network

## **I. The Enterprise Network Initiative**

### **A. Introduction**

1. The *Enterprise Network* initiative was launched in 1993 in West Africa. In 1998, the initiative was expanded to East and Southern Africa. Today, the Enterprise Network initiative involves over 500 business men and women who belong to one of 30 national units which, in turn, make up three regional enterprise networks: the West African Enterprise Network (WAEN), the East African Enterprise Network (EAEN) and the Southern African Enterprise Network (SAEN). The dual mission of each of the regional enterprise networks is to improve the business climate in member countries and to promote cross-border trade and investment in its geographic region. To achieve this mission, Enterprise Network members pursue four common objectives: enhance the competitiveness of individual member firms, facilitate access to financing, improve business information flows and promote opportunities for regional economic integration.

2. Woven into all of the Enterprise Network programs is a strong emphasis on trade capacity development which targets primarily intra-regional transactions but also North-South linkages. Since the creation of the Enterprise Network initiative in 1993, six bilateral donors (US, France, Canada, Switzerland, Belgium and Japan) and two multilateral donors (World Bank and European Union) have contributed some measure of funding in support of the three regional enterprise networks. USAID commissioned this case study as input into the DAC assessment of best practices among donor initiatives in support of capacity development for trade, and as a complement to the country case studies on Senegal, Ghana, El Salvador and Vietnam. This case study, conducted as a desk study, will focus on (1) organization and achievements of the Enterprise Networks, with emphasis on those activities which enhance regional and international trade capacity, (2) an assessment of constraints to trade and of trade capacity development needs for the Enterprise Networks; (3) donor efforts on behalf of the Enterprise Networks; and (4) conclusions and recommendations for trade capacity development and donor coordination which would support indigenous private enterprises. This case study responds only to those questions raised in the scope of work for which adequate documentation was available to permit an informed response.

### **B. Background on the Enterprise Networks**

3. The original idea for the creation of a network of new generation African entrepreneurs grew out of a private sector conference sponsored in Senegal in 1991 by USAID and the OECD/Club du Sahel. The purpose of the conference was to bring together private sector operators from both anglophone and francophone countries in the region, to assess the environment in which the private sector operates in West Africa, and to establish an agenda for private sector-driven action to change that environment. A priority action identified by participants was the creation of a network of business persons who would work collectively to bring about the changes called for in the action plan and to promote business-to-business linkages in West Africa. In response to this request, USAID agreed to provide a limited amount of seed capital to facilitate the creation of a self-financed and locally-driven network of West African entrepreneurs. Funding covered the organization of quarterly regional meetings and the services of a two-person technical assistance team to provide process assistance to the networks in their efforts to define their mission and objectives.

4. WAEN, the first of the three regional enterprise networks, was launched in 1993 by a core group of five entrepreneurs from each of seven countries. Within three years, WAEN had grown from 35 to 350 business persons and spread from seven to thirteen countries in West Africa, both anglophone and

francophone.<sup>1</sup> In 1998, new regional enterprise networks were created in East Africa (60 members from six countries)<sup>2</sup> and Southern Africa (100 members from eleven countries).<sup>3</sup>

5. Enterprise network members finance the operating expenses of their national enterprise networks, and, after a start-up period, of a small regional secretariat. Most members are individual owners and operators of private enterprises who have a strong interest in regional markets and a long term stake in their national economies, practice modern management techniques, are attuned to the uses and advantages of information technology, acknowledge the need for increased competitiveness to enter global markets, have little familiarity with donor assistance programs and are keen to work in productive partnership with government to effect change. Members are first and foremost interested in strengthening their individual business or businesses through the Enterprise Network, primarily through the potential for expansion of their activities into the regional market. Policy reform initiatives are useful to them *if* they contribute to the effective development of business opportunities in the region.

6. The rapid expansion and continued involvement of members in the three regional enterprise networks seem to demonstrate that these new organizations fill a need which derives in large part from the political and economic context in which most of the indigenous African private sector operates.

#### *The political context*

7. Significant democratic movements in Africa date only from the early 1980s. Free elections have now been held in many countries, but these must be contrasted with recent military coups in Cote d'Ivoire, the Gambia and Chad, and continued civil unrest in Congo, Angola and Sierra Leone. Democratic institutions remain extremely fragile and the organization of civil society is modest, at best. However, journalists are increasingly able to express themselves openly, independent private radio stations are sprouting up, the public sector is no longer sacrosanct and instances of fraud and corruption are being exposed. The Enterprise Networks are part of this changing political landscape and are able to advocate openly for reform in most countries.

#### *The economic context*

8. Private enterprises in most African countries are struggling to survive. Their difficulties stem from the small size of the formal private sector, historically poor relations between the state and the private sector, a highly restrictive legal and regulatory framework for business, and the lack of a regional market for their goods and services.

9. The *small size of the formal private sector* is an historical outgrowth of the colonial concessionary system, under which private firms were granted special licenses for particular markets. Many of the foreign-controlled concessions were tolerated after independence by the new African bureaucratic elite, which was opposed to the development of an indigenous private sector that might compete for power. Post-independence political leaders also created large state-owned enterprises whose management answered directly to them. A small number of indigenous private firms, with close ties to the

---

<sup>1</sup> Original WAEN member countries included Benin, Burkina Faso, Chad, Cote d'Ivoire, Gambia, Ghana, Guinea, Mali, Mauritania, Niger, Nigeria, Senegal and Togo.

<sup>2</sup> EAEN member countries include Burundi, Ethiopia, Kenya, Rwanda, Tanzania and Uganda. Djibouti was approved as a seventh country in March 2000.

<sup>3</sup> SAEN member countries include Botswana, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, South Africa, Swaziland, Zambia and Zimbabwe.

political regime, were authorized to operate. To protect their vested interests, this first generation of indigenous business persons often staunchly opposed market liberalization. The result was a highly regulated economy and an almost total vacuum of indigenous private industry. Where indigenous entrepreneurs did engage in formal sector economic activities, it was usually in the services sector where the required investment was less onerous and profits could be achieved more quickly.

10. *Relations between the state and the indigenous formal private sector* remain strained in many African countries. As opposed to the Asian experience, African states generally have not sought to support the indigenous private sector, although certain marriages of convenience have always existed. The state's bureaucracy, run by an educated administrative class, enjoys a great deal of discretionary control over the formal private sector through an array of regulations and licenses. Until recently, this educated elite was able to use its power to extract rents from the private sector. Mechanisms for open dialogue were few and far between.

11. The *legal and regulatory framework* restricts the ability of the private sector to serve as a "motor for economic development." Reforms are needed, especially as concerns tax and customs regimes. Financial sector deregulation is also particularly critical if indigenous private sector firms are to have access to financial instruments adapted to their requirements. Access to medium and long debt and equity financing remains a key constraint for almost all indigenous private sector firms in Africa.

12. The *lack of regional markets* was a major contributing factor to the creation of each regional enterprise network. Every country in West, East and Southern Africa advocates regional economic integration. Many have created a cabinet level ministry responsible for the issue. The private sector, for its part, is well aware of the fact that national markets are too small to permit significant industrial or agricultural development. However, despite interest from both public and private sectors, there has been no real progress towards regional integration. The regional economic integration institutions, ranging from ECOWAS and UEMOA in West Africa, to EAC in East Africa and COMESA and SADC in East and Southern Africa, have been unable to implement regional trade agreements, despite a number of draft protocols and treaties. National priorities continue to take precedence over regional ones. Further, the regional market has had little relevance for the formal private sector which has traditionally transacted more with European markets, and even the U.S., than with other countries in the region. Owners and operators of firms in Africa know little about the neighboring countries in their region. The vast majority of regional trade is handled by the informal sector, outside the legal framework. Formal sector firms are often unaware of the extent to which even their own products circulate throughout the region through informal sector trade.

#### *Recent positive trends*

13. In the last few years, two positive trends have emerged in the economic environments in Africa: first, a new, aggressive generation of African entrepreneurs is playing an increasingly important role in economic activity. Second, African economies have experienced the double shock of structural adjustment and devaluation of local currencies. Although some firms have suffered, there are definite positive outcomes from these changes.

14. The indigenous formal sector is changing rapidly. The "first generation" formal private sector that emerged following independence matured in a setting of protected markets and close ties to the regimes in power, where access to resources and policy makers was granted to a small elite in exchange for political support. The "*new generation*" African private sector consists of more entrepreneurial businesspersons who are eager to take advantage of the potential business opportunities afforded by political and economic liberalization. In their home countries, these new generation entrepreneurs are

operating in a difficult economic context that tolerates no mistakes. They are part of the growing civil society movement in Africa, and are calling for a share in the responsibility for government decision making. The members of the Network come from this new generation of African entrepreneurs.

15. *Structural adjustment* was imposed on African governments by the donor community, led by the IMF and the World Bank. The structural adjustment programs, coupled with devaluation of local currencies, among which the CFA franc, produced immediate negative effects for protected national industries, which were forced to compete for the first time, and for consumers, who saw their purchasing power diminish. However, these two events had positive effects for the indigenous formal private sector. Structural adjustment policies contributed significantly to reducing the state's role in the economy and to forcing government to accept the private sector as its partner. Although adjustment policies were often poorly or incompletely applied, they did facilitate macroeconomic stabilization, economic liberalization and restructuring of the bankrupt banking sector. On the whole, the formal private sector has benefited from structural adjustment.

16. The Enterprise Networks are tackling these contextual problems through their strategic action plans which emphasize engaging in productive dialogue with the state, facilitating access to medium and long term debt and equity financing, increasing competitiveness of African goods and services on the global market, promoting national entrepreneurship and developing a regional market.

### ***Enterprise Network organization***

17. The Enterprise Network initiative is based on a unique organizational model for the African private sector. Each regional enterprise network is made up of national enterprise units. The national units are constituted by a select group of new generation business persons willing to devote their personal time and financial resources to creating an Enterprise Network. Generally identified by the technical assistance team through targeted interviews, the core group of each national unit, usually three to five persons, recruits additional members who share the same profile: entrepreneurs of high integrity who have invested their own equity in their own firms and who are committed to achieving the two goals of the Network—improving the business climate and fostering regional trade and investment. The national unit membership base is intentionally cross-sectoral to ensure a focus on the broader interests of the private sector.<sup>4</sup>

18. The Enterprise Network agenda is strictly apolitical. Because their human and financial resources are necessarily limited, Enterprise Networks look to play a catalytic role in their national and regional environments and seek synergies with other private sector organizations, such as Chambers of Commerce, Manufacturers' Associations and Employers' Federations, in the pursuit of common objectives. Several national units are also institutional members of their national Private Sector Foundations (Uganda, Ghana).

19. Other strategic partners of the Enterprise Networks include national governments, regional economic institutions, donor agencies, international financial institutions, international private sector organizations and offshore investors. Network members serve as advisors to a number of international

---

<sup>4</sup> Network membership in each country generally ranges from 10-15 members. Most national units require that prospective new members be proposed by a current member and vetted by other members. By maintaining a highly selective membership, networks have achieved strong cohesion among members, offsetting the traditional lack of trust among entrepreneurs not of the same family or tribe.



bodies. Formal memoranda of understanding have been signed with ECOWAS, COMESA, the World Bank's Business Partnership Group and AFD.

### *Illustrative achievements*

20. The Enterprise Networks seek private sector solutions to private sector problems. Network results to date have been impressive, given their recent creation and their limited human and financial resources. To cite a few examples which relate to regional and international trade capacity:

West Africa (since 3/93):

- a \$15 million, privately-capitalized West African Enterprise Fund was set up under the leadership of Ken Ofori-Atta of Databank Financial Services, Ghana, to promote regional trade and investment in the ECOWAS region;
- WAEN has organized four regional conferences to promote intra-regional trade linkages and to debate regional integration issues;
- WAEN created a professional cluster, *Netforce*, made up of indigenous auditing firms in the region, who work together to improve professional standards and to obtain regional contracts;
- WAEN members utilize the Network to identify skilled labor in other countries (managers, construction supervisors);
- WAEN was active in the launch of a regional consultative entity on economic integration policy, the *Forum West Africa (FOWA)*, which brings together key regional players (ECOWAS, UEMOA, CILSS and WAEN) to share information on regional integration initiatives, to discuss, research and establish positions on technical aspects of regional integration and to make preliminary designations and commitments for action among the entities, in concert with each one's mandate;
- WAEN carried out a special study on the cost and speed of intra-regional monetary transfers, notably via regional banks such as BOA and Ecobank, to encourage more efficient transfers within the ECOWAS region;
- WAEN proposed to the Forum West Africa and to interested donors the creation of an observatory of border crossing practices, to track anomalies and report them to national authorities (customs, immigration, police, etc.), and is participating in its implementation;
- WAEN was asked to contribute to the debate on the proposed redesign of the ACP-EU convention and on the UEMOA unified investment code;
- WAEN created a Regional Trade Information Center (RTIC) in 1995, to collect and disseminate trade information at the request of its members, to create a website and to publish a quarterly bilingual newsletter, the *Networker*.
- members of the Nigeria Network participate actively in the Nigerian Economic Summit, an annual joint economic policy review commission, and are linking with WAEN partners inside the region and with WAEN strategic allies to explore investment opportunities in the newly-democratized Nigeria.

East Africa (since 7/98):

- a national level investment fund was launched in Kenya, and mechanisms are being studied to regionalize the initiative in the year 2000;
- passion fruit is being exported from Rwanda to Uganda;
- an East African trade and investment magazine, EnterpriseAfrica, was launched by an EAEN member;
- a venture capital workshop is being organized in Nairobi by the Kenya Network to discuss financing options for regional enterprises;
- Kenya, Uganda and Tanzania Enterprise Networks contributed to a private sector strategy paper for the East African Community;
- EAEN created a website including trade information and member profiles;
- EAEN held its first regional conference in 1999, focusing on the regional market in East Africa, and resulting in the signature of a Memorandum of Intent with COMESA to pursue joint efforts to promote regional integration.

Southern Africa (since 10/98):

- national level investment funds have been established in Zambia, Zimbabwe, Mozambique and Botswana and inter-Network coordination mechanisms are being examined to regionalize this concept in Southern Africa by year's end;
- a cotton yarn spinning joint venture is being negotiated between Network members in Tanzania and Mauritius;
- The Mozambique Network entered into an agreement with SAFRI (Southern African-German Business Initiative) to create a national Excellence Foundation in Mozambique to promote competitiveness; national network members were invited to the first Africa Business Forum in May 2000, organized by SAFRI and Afrika Verein;
- SAEN members were invited by the World Economic Forum to participate in several trade and investment panels at the Southern African Economic Forum in Durban, South Africa, in June 1999;
- SAEN has created and maintained an interactive website including country trade information and SAEN member profiles;
- SAEN members will participate in a trade mission to promote business linkages in the United States in June 2000;
- SAEN held its first regional conference in Mauritius in June 1999 to debate regional integration issues and signed a memorandum of intent with COMESA to pursue common trade and investment objectives;
- SAEN created two professional clusters to promote joint investments and capacity building, one in tourism and the second in capital markets;

- A major regional trade agreement was signed between Delta Cafes in Mozambique and Tanganda Tea in Zimbabwe, facilitated by SAEN;
- The U.S. EXIM Bank is discussing agent agreement with SAEN members to facilitate export financing in the region;
- SAEN organizes quarterly regional workshops on competitiveness issues;
- SAEN contributed to the design of a regional workshop on the implementation of the SADC Trade Protocol.

In addition to these regional-level accomplishments, hundreds of transactions have taken place between individual members of the same national networks.

21. A further illustration of trade capacity within the Enterprise Networks is the following U.S. dollar estimate of business deals in 1999 from five SAEN national networks, provided at the most recent SAEN regional meeting in Madagascar in March 2000:

- Botswana- deal flows totaling approximately \$2.5 million (information technology, consulting engineering, tourism)
- Zambia- deal flow from network contacts valued at \$700,000 plus capitalization of ZINC, Zambia Investment Club, at \$50,000
- Mauritius- deal flow from ventures in the region valued at \$300,000 (flour milling, paper products, tourism, cotton spinning)
- Zimbabwe- deal flows within the Network estimated at \$600,000, plus creation of a Zimbabwe Enterprise Network Work Out Team to acquire or restructure poorly performing companies, buttressed by pooled capital of \$10,000
- Mozambique- deals flow valued at \$400,000, primarily from Delta Café expansion to other countries in Southern Africa; joint financing of ventures to provide subcontracting services to Mozal is being planned;

## **II. Constraints to trade and needs for capacity development**

22. This section will examine the constraints to trade and trade capacity development needs from the perspective of the indigenous private sector firms which make up the membership base of the three regional Enterprise Networks.

### **A. Policy and supply-side constraints to regional and international trade**

#### ***Macroeconomic environment***

23. Despite the generally positive response of national economies in Africa to structural adjustment initiatives of the 1990s, especially market liberalization and free floating currencies, continuing concern exists among most Network members regarding the stability of the macroeconomic environments in their countries. Despite relatively solid gains in GDP growth rates, inflation remains high in many countries

(Ghana- 36%; Zambia- 40% and Zimbabwe- 56% are examples). While many public sector reform programs have been implemented, budget deficits are still chronic and good governance remains a critical issue. A significant number of well-designed economic reforms have been adopted but remain valid on paper only. Privatization has gained speed, but many issues have been raised regarding the equitable privatization of remaining assets.

24. Network members complain most frequently of chronic inflation, poor government budgetary policies (and lack of private sector input into the budget process), hugely burdensome fiscal policies and lack of access to medium-term and long-term finance. While tax breaks and other attractive incentives are offered as a matter of course to foreign investors, the same incentives are not offered to the African private sector which is also frequently subject to harassment from customs, immigration and fiscal authorities.

### ***Sectoral policies***

25. Sectoral policies are poorly developed in most Enterprise Network countries, and far too little emphasis is placed on dialogue with indigenous formal private sector entities engaged in the target sectors, especially agriculture, transport and tourism. In the agriculture sector alone, resumption of efforts to replenish food deficits will require sizeable improvements in agricultural production techniques over the next decade, which should involve the indigenous private sector.

### ***Factor costs***

26. The competitiveness of African products is seriously handicapped by high factor costs. Weak infrastructure, particularly the high cost and unpredictability of transport and poor road and rail systems, the lack of storage, especially cold storage, for exports, and unreliable supply of water and electricity, are serious problems. Compared to other developing regions of the world, the workforce is poorly educated, and little technical training is available. The prevalence of HIV/AIDS and the inadequacy of health systems is increasingly a major factor in labor productivity. Finally, the cost of capital is exceptionally high as compared to Western standards (ranging from 18% in South Africa to 55% in Zimbabwe).<sup>5</sup>

### ***Transaction costs***

27. Administrative procedures are lengthy and costly. While many countries have created investment promotion centres to facilitate one stop shopping for licenses and permits by investors, more needs to be done to simplify the process. A business environment which is not predictable and entails enormous hidden costs will never be competitive in the race for foreign investment.

### ***Access to finance***

28. For the indigenous SME, the lack of access to MT/LT debt and equity financing is extremely serious. Commercial banks are not structured to provide longer term financing and the MT/LT resources available on the market are nearly all geared for projects which are 5 to 10 times larger than those put forth by indigenous SMEs. Collateral requirements for short term lending are very high. Property rights for

---

<sup>5</sup> Report on the 1999 Southern African Economic Summit, Durban, South Africa, World Economic Forum, Geneva, Switzerland.

land are difficult to document or are simply not available to private individuals, which restricts the sources of collateral.

### *Foreign direct investment*

29. To achieve the levels of growth it seeks in order to reduce poverty, Africa must diversify its economies and add value to local products. This will require substantial foreign direct investment. Only 1-2% of total global foreign direct investment is directed towards Africa, and of that amount, 70% is invested in four countries which have significantly diversified their economies: Nigeria, South Africa, Egypt and Morocco. The limited flow of FDI to Africa indicates that the perception of risk remains unacceptably high. Enterprise Network members offer the foreign investor the security of a well-trained and reliable foreign partner. The challenge is reversing the negative image of Africa held by foreign investors.

30. In addition to the need for increasing FDI flows, there is significant scope for improving cross-border investment within geographic regions. Cross-border investment has, in part, been constrained by bureaucratic and political delays in developing and implementing measures to encourage regional integration. It has also been constrained by lack of a concerted effort on behalf of the private sector to promote the benefits of an enabling environment for regional integration and lack of private sector support for regional integration initiatives. The barriers to cross-border finance and investment are both policy-driven and behavioral.<sup>6</sup>

### *Policy-driven barriers to regional finance and investment*

- Management and control of capital accounts by Central Banks
- *Example:* In certain countries, cross-border capital investment flows are managed and controlled by Central Banks. In many cases such investments are not permitted, or are only permitted based on “special dispensation”.
- *Implication:* Companies are limited in their ability to include regional investments in their corporate growth strategies.
- Bureaucratic two-way exchange controls
- *Example:* In certain countries, for regional cross-border investments, exchange control approval from the country of origin of the funds is needed to get the funds out, and exchange control approval from the recipient country is needed to get the funds in (and back out again). If the approvals are granted, it is usually only after a lengthy bureaucratic process.
- *Implication:* Investors end up investing the funds in the origin country, even if opportunities in the recipient country promise greater returns.
- Lack of harmonization of investment incentives

---

<sup>6</sup> SAEN Regional Conference 1999, Working Paper No. 2, “Increasing Access to Finance.”

- *Example:* Several countries offer fiscal incentives for venture capital firms that are based in, and invest in, that country. However, there are no fiscal incentives for a venture capital firm based in one country to invest in companies in another.
- *Implication:* Venture capital funds based in one country have little incentive to finance cross-border deals.
- Lack of a regional-deal pipeline mechanism
- *Example:* Local business associations often provide a source of local deals to local investors. However, there are no credible regional mechanisms to cost-effectively bring regional deals to regional investors.
- *Implication:* Investors have a tendency to invest in projects close to home.

#### *Behavioral barriers to regional finance and investment*

- Conservative financial sector
- *Example:* The philosophy of many financial institutions in the region is that if a particular project has no precedent in the region, it cannot be done.
- *Implication:* Innovative regional deals often never see the light of day.
- Misconceptions about the investment environment in neighboring countries
- *Example:* Adverse publicity and sensational media coverage often create misconceptions about business opportunities in neighboring countries.
- *Implication:* Viable cross-border deals are often not even given a first screening.
- Limited appreciation of the potential regional market
- *Example:* Investors' evaluations of the market potential for a given project is often limited to the national market of the project sponsor. The market is rarely evaluated, from the outset, as a much larger, regional market.
- *Implication:* The potential regional economies of scale are often not part of the equation. Similarly, project sponsors often tend to be inward looking and fail to investigate and exploit the regional market potential.

#### *Trade institutions*

31. In most Enterprise Network countries, the Ministry of Trade is responsible for setting trade policy but this ministry generally suffers from insufficient financial and human resources. Certain sectoral ministries, for example fisheries in Namibia and tourism in South Africa, have taken strong actions to promote trade, but these are the exception. The lack of capacity within the Ministries of Trade particularly handicaps the multilateral trade negotiations, South Africa, Zimbabwe and Mauritius are the only countries

which have sent strong delegations to WTO and ACP-EU meetings and are the only countries which have actively engaged the indigenous private sector in dialogue on the negotiations.

### ***Regional economic integration institutions***

32. In general, the indigenous private sector has not been consulted regularly on the process and technical measures to achieve regional integration. The blame for this situation must be shared by the public and the private sector. The public sector did not usually extend the invitation and the private sector often felt itself unprepared to contribute meaningfully to the debate. At times there is also rivalry among the different voluntary organizations in a country over which association should participate in regional events. Further, the pace at which the private sector operates is considerably faster than that of governments and regional institutions. As such, private sector participants get frustrated and may give up their involvement. However, as interest in the regional market has grown, private sector actors are more willing to become involved in dialogue on the practical means of achieving integration.

### ***SADC***

33. SADC began in 1980 as the Southern African Development Coordinating Conference (SADCC), to coordinate development activities in Southern Africa with a regional dimension, notably infrastructure. SADC (Southern African Development Community) was born in 1992, to focus on the creation of a regional economic community by encouraging its 14 national government to facilitate private sector economic activity through increased investment (domestic and foreign) and trade expansion. Movement towards this goal has been painfully slow. The SADC Trade Protocol, signed in August 1996, states that a Free Trade Area would be established among members within 8 years of the protocol's ratification. The protocol calls for liberalization of intra-regional trade, enhancement of industrial and economic development in the region, greater production efficiency and improvement of the investment climate. The protocol was finally ratified by the requisite number of countries early this year, including, at long last, South Africa. Plans are to move towards application by year's end, but the FTA would not see the light of day before 2009, at this rate.

34. SADC is criticized for lack of dialogue with the private sector. A SADC Regional Business Council was established in 1989 but was short lived. Although it organized several investment meetings, it was not active in policy dialogue, due to lack of capacity and lack of opportunity. When donor support was withdrawn, the Council collapsed. A new initiative, the SADC Federation of Chambers of Commerce, is now being supported by the SADC secretariat as its official private sector counterpart. SAEN has sought special consultative status to the SADC secretariat but the request was put on hold until it can be vetted by the 14 member nations.

35. Intra-SADC trade is 22%, the highest of any regional block in sub-Saharan Africa. With a market of nearly 200 million people and a GDP of \$180 billion, officials estimate that intra-SADC trade could move to 35% with application of the trade protocol. The last year, however, has seen serious slippage in SADC's promise as a region as the war in Congo, involving eight nations, continues to rage; the conflict in Angola escalates, the price of gold slips and the AIDS pandemic worsens. On the positive side, South Africa has finally begun to take some active steps towards regionalization under President Mbeki, beginning by the ratification of the SADC Trade Protocol and continuing with a statement of renewed commitment to the regional development plan, including the corridors initiatives and expanded investment. More indications of strong leadership by South Africa in the regional integration process will be needed to make integration a reality.

## COMESA

36. An outgrowth of the former Preferential Trade Area (PTA) for East and Southern African States, COMESA (Common Market for Eastern and Southern Africa), created in 1982, includes 21 member countries, spread from Egypt to Swaziland. COMESA has targeted intra-regional free trade by the year 2000. All member states are currently meant to be offering 90% reduction of duties on qualifying imports. Few countries have actually introduced this level of preference, although most now offer between 60-80%. It is likely that a Free Trade Area will be established between a core group of countries in 2000, with a Common External Tariff and Customs Union coming into operation in 2004 for a similar core group. Within COMESA, considerable progress has been made regarding trade facilitation, standardizing trade documentation, trade information dissemination and payments procedures.

37. In addition to its trade initiatives, COMESA assists member states with implementation of economic changes to create an enabling environment for investment, including comprehensive investment legislation, exchange control liberalisation, adoption of export promotion measures, liberalisation of the banking and insurance sectors, enactment of large-scale privatisation programmes and development of national capital markets.

38. The COMESA Secretariat recently proposed the following agenda and time-frame for investment facilitation in the region<sup>7</sup>:

1. Harmonize laws relating to investments, both nationally and regionally (2000)
2. Carry out an Investor Roadmap (2000)
3. Implement SADC stock exchange listing regulations and requirements (2000)
4. Establish true one-stop investment shops with full decisionmaking powers (2002)
5. Complete implementation of all recommendations of Investor Map (2003)

39. The COMESA Clearing-House is in the process of restructuring with the proposed change into a Regional Export Services Agency (RESA). Services provided would include:

- Africa Guaranty Facility: covering political risks on trade related transactions
- Fast Payment Facility: to reduce cost of regional transactions in a liberalised foreign exchange regime by improving risk management in payment system
- SWIFT Regional Centre to standardise and automate international payment messaging

40. The private sector was rarely consulted by the PTA, although a PTA Federation of Chambers of Commerce and Industry was created. A new attempt was made to get the private sector organizations of East and Southern Africa together, with the inclusion of South Africa after that country's transition. In 1995, the Eastern and Southern Africa Business Organisation (ESABO) was created, intended to cover the countries of COMESA and SADC. South Africa took a strong lead in the early days, with the South Africa Chamber of Business (SACOB) providing a secretariat. However, the South African focus on SADC led to the transfer of the ESABO secretariat to the Kenya Chamber of Commerce and Industry in 1996. While ESABO continues to exist, its role as a voice for the private sector in the region has diminished and it is poorly known within the region's private sector.

41. COMESA's structure allows it to operate much more efficiently than SADC as regards trade policy and regulations. The Secretariat can take many decisions, working in concert with the Ministries of

---

<sup>7</sup> "Discussion Paper" COMESA and the Cross-Border Initiative, Mauritius, November 1998.



Trade or Finance, rather than having to revert to the heads of state. Indicative of this flexibility was the memorandum of interest signed between the General Secretary of COMESA and EAEN and SAEN at these Networks' first regional conferences. Both COMESA's Trade Information Director and the Clearing House director have consulted SAEN on several occasions.

### *ECOWAS*

42. Created in 1975, the Economic Community of West African States (ECOWAS), has been regarded over the past two decades as an institution with little real authority. However, since the democratic elections in Nigeria, dynamics have changed and Ghana and Nigeria appear ready to join forces within ECOWAS, in part to counter the rapid integration measures being taken by the franc-zone economic and monetary union, UEMOA. However, to achieve meaningful results, it will be necessary to dramatically upgrade ECOWAS' institutional capacity. Ghanaian and Nigerian disgruntlement over UEMOA's Common External Tariff, adopted as of January 2000, may do more to reinvigorate the ECOWAS trade protocol than any other recent event.

43. ECOWAS has been very open to consultation with WAEN and participated willingly in the Forum Ouest-Africain. ECOWAS has given WAEN official observer status.

### *UEMOA*

44. Created in 1994 from the old UMOA, following the CFA franc devaluation, UEMOA is a centralized and well funded institution whose members already benefit from a common currency and more recently have developed a common business legal framework under OHADA. On January 1, 2000, UEMOA was announced to have implemented the Common External Tariff (CET) and lowering the maximum tariff from 25 to 20%. However, the CET has already encountered some reciprocity problems within UEMOA and budgetary considerations may handicap efforts to implement the new system. UEMOA relations with ECOWAS are not clear since there are overlapping mandates. Further, the new EU-ACP agreement could impact on those relations if the EU decides to sign a regional agreement just with UEMOA.

45. Although WAEN was asked to comment on UEMOA proposals for a common investment code and the OHADA initiative, the consultative process with the private sector for these UEMOA initiatives was not broadly-based. Many entrepreneurs have little knowledge of the proposed reforms.

### *EAC*

46. With the shifting political and economic climate within East Africa in the early 90s and renewed thrust within Africa towards regional integration, Kenya, Uganda and Tanzania agreed in 1993 on the establishment of the Permanent Tripartite Commission for East African Co-operation. The old East African Community had collapsed in 1977. The EAC Secretariat was launched in March 1996. Five key areas of co-operation were identified: economic co-operation, immigration, political co-operation, legal and judicial co-operation, and security matters. A Treaty establishing the EAC was signed by the Heads of State of the three countries late last year. The EAC development strategy has four main thrusts:

- promote the spirit of regional co-operation, rooted in the region's history, while avoiding the errors committed in the past;

- support the existing forces which have a major interest in strengthening regional institutions and in free movement of people, capital, goods, as well as services and information within the region;
- place immediate emphasis on economic co-operation, with a view to promoting enhanced political co-operation and integration in the long run; and
- reinforce institutional capacities for regional co-operation with the EAC Secretariat as a small but effective co-ordinating body, to organise and supervise special activities, studies and research aimed at facilitating decision making in areas relevant to regional integration.

47. The strategy goes on to say that the new initiative in regional co-operation is based on the “creation of an enabling environment for the establishment of a single market and investment area.” The role of governments is played down, while the role of the private sector is enhanced. Modalities for EAC consultation with the private sector are still being worked out. The *East African Business Council* (EABC) was created to facilitate dialogue. The EABC is an apex trade and investment organization, comprising the EA Chambers of Commerce and Industry, Federations of Employers and Manufacturers Associations. It does not yet have its own permanent secretariat and headquarters. Its interim secretariat is within the offices of the Kenya Association of Manufacturers in Nairobi. The EABC appears to have a greater prominence in Kenya than in the other two countries, although it provides a forum for dialogue between its members. It is invited to participate, as observers, in the relevant meetings of the Commission. The EAEN was asked by EAC to develop a private sector strategy paper, outlining means of cooperation in the region.

#### *Southern African Economic Forum (SAEF)*

48. SAEF is an initiative of the World Economic Forum (WEF), designed to foster private/public sector dialogue in the region. The main vehicle for dialogue is the annual Southern African Economic Forum, which combines plenary sessions, smaller panel discussion groups, and informal networking. In between annual conferences, SAEF (under the auspices of the WEF) organizes private meetings and information sharing. SAEF supports the economic development of Southern Africa by promoting the region as an investment destination, providing a forum for addressing and resolving constraints to finance and investment in the region, and by providing a structured mechanism for private sector deal making.

#### *Private sector organizations*

49. For the most part, private sector organizations in Enterprise Network countries are not adequately staffed or financed to allow in-depth assessment of trade issues and policies, with a few exceptions such as the Joint Economic Council in Mauritius, ZimTrade in Zimbabwe and the South African Chamber of Business. There is generally no established process for permanent dialogue and exchange of information between the public and private sector actors on trade issues. National organizations are weak and the few regional organizations intended to deal with these issues, such as ESABO, and even the Enterprise Networks, have very limited human and financial resources.

50. There are several serious consequences of lack of public/private sector consultation:<sup>8</sup>

---

<sup>8</sup> SAEN Regional Conference 1999, Working Paper No. 1, “Increasing Private Sector Dialogue in the Regional Economic Integration Process.”

- Decisions may be made by policy organs of regional integration institutions that create economic imbalances or cannot be implemented because of impracticalities. These decisions may have considerable impact on business, e.g., tariff reductions, investment incentives, business procedures.
- Due to lack of understanding of business operations, the best decisions to foster regional economic activity may not be taken.
- Given its lack of involvement, the private sector is often unaware of issues at the regional level or of opportunities created through regional integration.
- The indigenous private sector can serve as a reliable sounding board for proposed initiatives (WAEN for example contributed to the debate on fast action monetary transfer mechanisms within West Africa) and can also assist in disseminating information on existing policy and protocols. (SAEN members for example worked with a SADC team to design a dissemination workshop on the impact of the upcoming SADC trade protocol).

### ***Multilateral trade agreements***

51. Very few African countries have the capacity to implement their WTO commitments or to assess and define their national interests for WTO or even EU/ACP negotiations. African entrepreneurs have not been brought into the dialogue process. The debates on regionalization have helped raise the profile of issues relating to international trade. The time is ripe to pursue the debates on global trade since many donor agencies are interested in promoting understanding of such issues through national level and regional level workshops (EU, USAID). The images of Seattle are still fresh in everyone's minds and will help to encourage participation. Enterprise Network members could be useful resources in the design of such workshops for the private sector.

### ***B. Trade capacity development needs for the Enterprise Networks***

52. The first priority to develop trade capacity among indigenous small to medium-scale enterprises is to enhance their competitiveness through the provision of adequate infrastructure, notably transport (road, rail, sea, air, ports), electricity and communications.

53. On the level of the Enterprise Network members, the following needs are priority:

- Build capacity within private sector organizations regarding regional and multinational trade policy issues to increase understanding and to enable private sector to engage meaningful public/private dialogue on these issues
- Build private sector capacity to develop regional strategies for enterprise creation and expansion
- Create professional clusters among SMEs in the region, for the exchange of experiences and business opportunities, notably within the following sectors or subsectors: tourism, transportation, capital markets, agribusiness, information technology, poultry, fisheries
- Enact incentives for non-traditional exports, including tax breaks for venture capital

- Develop exit mechanisms for foreign investments
- Advocate deregulation and liberalization of the IT sector and removal of taxes from IT hardware/software
- Promote increased private sector involvement in education and training
- Enhance MT/LT debt and equity financing instruments, especially those which rely on domestic capital mobilization (e.g. Network investment funds and matching foreign investments)
- Increase use of export finance facilities: US EXIM Bank, Africa EXIM Bank
- Promote foreign direct investment in regional projects
- Ensure reliable business information flows
- Promote North/South partnerships/linkages
- Develop subcontracting arrangements (use MOZAL in Mozambique as demonstration model)<sup>9</sup>
- Promote free movement of labor from one country to another and generally more flexible labor markets

### **III. Donor efforts to promote Enterprise Network trade capacity development**

#### ***A. Donor support for the Enterprise Networks***

54. Traditionally, bilateral and multilateral donors have sought to enhance trade capacity and policy reform performance in developing countries by providing support to government policy makers to achieve better policy analysis, design and impact assessment. In the Enterprise Network initiative, support was provided to strengthen private sector capacity to pursue regional and international business opportunities and to develop and implement a reform agenda targeting trade and investment. The rationale behind the approach adopted by USAID derived from current thinking about policy change and democratic governance, i.e. that reforms are more likely to bear fruit and be sustained if stakeholders within civil society are able to influence the policy process and that mobilization of groups in civil society contributes to their ability to serve as a check on the use and abuse of power in government, through pressures for accountability and transparency.

---

<sup>9</sup> \$1.34 billion SA project to produce aluminum in Mozambique for Southern Africa. Serves to enlarge the industrial base, provide opportunities for downstream manufacturing and should generate export earnings of \$400 million/year. 7000 workers are employed in construction; 4237 are Mozambican- all trained in Mozambique. 2600 post construction indirect employment opportunities, 600 permanent jobs, 90% Mozambican. Interconnected electricity supply, new roads, bridge and highways. 110 contracts for construction and services, of which 67 went to Mozambican firms. Site purchases of \$11.7 million were made in Mozambique

55. Following the request for assistance from participants at the private sector conference in Dakar to establish a network of business persons to pursue regional business opportunities and policy reforms, USAID agreed to provide start-up funding for the initiative. Beginning in 1993, USAID also financed technical assistance under its Implementing Policy Change (IPC) project whose objective was to foster a participatory process to effect policy change. In mid 1995, when the French and Canadian development agencies expressed interest in contributing to the Enterprise Network initiative, a special Private Sector Support Unit was created within the OECD/Club du Sahel, to coordinate multidonor support to WAEN, specifically by agreeing on a common set of objectives and co-financing the program to achieve those objectives.<sup>10</sup> In addition to the U.S, France and Canada, the European Union, the UK Department for International Development (DfID) and the Japanese Ministry of Foreign Affairs also provided some funding to WAEN in 1996/1997.

56. When the Enterprise Network initiative expanded to East and Southern Africa in 1998, three new donors contributed to the project, the Belgian and Swiss Cooperation Agencies and the World Bank, and USAID and the French Ministry of Cooperation continued their contributions. The OECD/Club du Sahel Private Sector Support Unit has requested donor funding through 2002. During the period 2000-2002, each regional enterprise network should develop a fund-raising capacity in order to raise its own financing for its programs and activities, independently of the Private Sector Support Unit. This transition has already begun: In 2000, WAEN received a direct grant from the EU in the amount of \$150,000 and EAEN and SAEN members are working with a U.S.-based backstop for business linkages, financed directly by USAID.

57. In order to promote local ownership from the start, donor contributions to the Enterprise Networks were limited to the providing seed capital for attendance at quarterly regional meetings and an annual regional conference and to financing the services of a technical assistance team, one based in Paris at the OECD and a second based in Washington, from 1993 to 1999. In January 2000, the OECD/Club du Sahel Private Sector Support Unit was downsized to one manager and an administrative assistant, based in Paris.

### ***B. Seed capital for regional institution building and networking***

58. To enhance local ownership and foster financial responsibility, seed capital has been limited to travel subsidies for two persons per Network to regional quarterly meetings and to an annual regional conference or general assembly during the first three years of each Network's existence. The budget for these subsidies has averaged approximately \$125,000 per year for each regional network. This investment leverages an equal contribution from the national units, who would directly finance the attendance of additional participants and who pay for the bulk of the costs of hosting the visiting networks (transportation, entertainment, meals). This seed capital permitted core members to become acquainted with up to 12 countries in their regional enterprise network over the course of the first three years, which enhanced their knowledge of cross-border trade and investment opportunities.

59. When WAEN, in its fourth year, moved from subsidized travel to member-financed travel, there was concern that attendance at regional meetings would drop off. However, in the nearly five years since

---

<sup>10</sup> Throughout the duration of the project, in addition to its contribution to the OECD/Club du Sahel Private Sector Support Unit, USAID has continued to fund bilateral technical assistance to the Enterprise Networks for special assignments. The latest of these involves support to EAEN and SAEN to develop business linkages between their member firms and U.S. companies, and to seek trade and investment opportunities in line with the Africa Trade Bill, passed by the U.S. Congress in May 2000.

subsidies were removed, WAEN has held nearly fifteen meetings, including three Annual General Meetings, which have been well attended by most national units.

### *C. Technical assistance to launch, promote and develop the Networks*

60. The focus of the capacity-building assistance provided by IPC and subsequently through the OECD/Club du Sahel Private Sector Support Unit was on strengthening previously unorganized groups within the African private sector to enable them to determine common interests; organize themselves to pursue those interests; articulate and present those interests to their strategic allies, including national governments, regional economic institutions, donors and other private sector associations and investors; identify means of sustaining their organizations over time; and learn from each other through the exchange of business and reform experiences on the regional level.<sup>11</sup>

61. Six key tasks were at the core of the technical assistance effort:

#### *Identification of core membership*

62. A key challenge to ensuring the success of a participatory project such as the Enterprise Network initiative was the identification and selection of appropriate participants to develop and sustain the network. In consultation with a number of African entrepreneurs, a prototype organization model for the Network was sketched out. Its features were: an informal association with a small but committed membership, financially autonomous, led by an elected national coordinator responsible for developing group consensus on an action plan for improving the business climate and identifying business opportunities among members. This was the vision the TA team used in the interviews held in each country to interest a core leadership team in assuming responsibility for the national network. Once the core team was identified, that team was responsible for developing more detailed selection criteria for membership and recruiting additional charter members. Most Network entrepreneurs selected in this fashion are heads of their own firm(s), employing between 5 and 50 persons, with average annual turnover of \$1,000,000. They are generally between 35 and 45 years of age, and not usually active in any other private sector organization, although most are members of other associations. Many are part of a reverse diaspora, having returned to Africa in the last 10 years to create their own firms. They have invested considerable personal equity in their firms. Shareholders, if any, are usually other family members, or close friends. Many have a solid network of international contacts. A significant number are from the services sector. Most have not traveled widely in their regions before joining the Network. Most had no prior contact with the donor community.

#### *Development of a strategic action plan*

63. The TA team used a facilitative approach to assist the regional network and its national units in developing a strategic action plan (see SAEN example in annex). On the national level, brainstorming sessions served to identify constraints to private sector growth and regional trade, in order to obtain consensus on which obstacles would be addressed by the national unit and how. It was suggested that the plan address 4-5 objectives at most and provide details on actions, responsibilities, a timeframe and performance indicators. These plans served as the basis for national unit reporting at the regional

---

<sup>11</sup> From inception until 1999, technical assistance (TA) to the networks consisted of periodic visits from one of the two-person TA team and external relations from each of the two bases (Paris and Washington).

meetings. Periodic TA visits also served to review and revise the plans as needed. Over time, the priority objective of the action plans shifted from policy reform advocacy to strengthening individual firms and intra-Network and intra-regional business linkages. This shift might be attributed to discouragement over the lack of progress in achieving regional integration. As part of the effort to achieve sustainability, each national unit was encouraged to hire a part-time secretary to assist with administration, finances and information flows. The most business-oriented units were quick to see the value of this support.

### ***Building skills for policy advocacy***

64. The TA team assisted in building skills in advocacy in three ways: through advocacy workshops conducted on national and regional levels, participation in regional economic integration technical meetings and participation in international conferences which enhanced the visibility of the Networks and gave them a platform for advocating reforms and for seeking partnerships. While these opportunities build Network skills, they also served to provide valuable Network input to programs and policies of their strategic allies, including the World Bank, the Corporate Council on Africa, the Agence française pour le développement and USAID.

### ***Strategy development for achieving financial sustainability***

65. From the outset, no donor funding was provided for individual national unit expenses. This approach helped to ensure ownership and independence. National units assessed membership fees, averaging usually from \$250 to \$500 per person, to cover operating expenses and the cost of the regional secretariat, which ranges from \$25,000 to \$30,000 per year. The most entrepreneurial national units have created Network business ventures and investment funds as means of capitalizing their efforts.

### ***Exchange of experience among national units***

66. One of the strongest benefits of network membership is the opportunity to exchange information among entrepreneurs. Members are also able to compare institutions and systems, especially between the francophone and lusophone countries of Roman law tradition and the anglophone countries of common law tradition. This is particularly true as regards capital markets regulations and non-banking financial institutions. Information on innovative business ventures (e.g. cash loan operations or leasing company initiatives) as well as on sources of financing (e.g. U.S. EXIM Bank export guarantees and African-focused equity funds such as Modern African Growth Fund) is also very useful to members.

### ***Branding and external relations***

67. A critical task of the TA team was to assist the regional networks in their efforts to create a unique “brand” image for themselves, given the large number of private sector organizations already in place in each region. Once the “new generation” brand was established, the TA team ensure the liaison between national units and external strategic allies. Having an outside representative in Washington or Paris meant that regular contact and information flows could be assured between the regional networks and partners such as the key bilateral and multilateral development agencies (USAID, CIDA, AFD, DfID, World Bank, UNDP and European Union) and private sector organizations and financial institutions (Corporate Council on Africa, French Entrepreneurs Federation-MEDEF, British African Business Association- BABA, Malaysian South-South Corporation, etc.) The TA team coordinated speaking engagements for the Network as well as press coverage of their events and achievements. It was in this fashion, for example, that WAEN was invited to make a presentation on trade and investment in Africa at

the World Bank's Annual General Meeting in Hong Kong in September 1997 and that WAEN and SAEN representatives were invited to speak at the National Summit on Africa before 3,000 persons in Washington, D.C. in February 2000.

#### ***D. Developing business linkages***

68. As the Networks have moved to more autonomous management, they have increasingly focused on business transactions and less on policy advocacy, given that they must sustain themselves from member contributions. Individual members seek first and foremost benefits for their businesses. Thus, the issue of Network-inspired ventures and intra-Network and North-South business linkages has assumed considerable importance.

69. *Network-inspired ventures:* Through networking, both virtual via email and physical at regional Network meetings and conferences, ideas are floated on interesting ventures or opportunities in the region which Network members can replicate if applicable in their home environments. For example, there has been considerable interest in exploring subcontracting possibilities similar to those resulting from the MOZAL project in Mozambique, for services such as catering, cleaning, transportation, construction and courier service. Interest in subcontracting among Network members in Cote d'Ivoire led to the creation of a national subcontracting databank.

70. *Intra-network linkages:* members have been intent on promoting intra-Network transactions on the national level, particularly for services such as insurance, software systems, bridge financing, accounting and legal services. On the regional level, business linkages have resulted in transactions for trade in paper goods, salt, cotton, coffins, coffee and tea, clothing, banking, fish and construction materials, among other items.

71. On the *North-South level*, business linkages have been promoted through participation of targeted foreign investors or technical partners at Network regional conferences, including construction and engineering (MK International Korea), handicrafts (Pier One), tiling (Tiffany and Company), finance (Modern Africa, IFC, Equator Bank, U.S. EXIM Bank), agribusiness (F.K. Shaffer, Carghill), packaging (TetraPak, AirLiquide), among others. A more targeted effort to match individual network members with interested U.S.-based partners has just begun under the USAID ATRIP project for EAEN and SAEN member firms. Members concur that this service is critically important to sustaining interest and involvement.

#### ***E. The Regional Trade Information Center (RTIC)***

72. An early creation of WAEN is the RTIC which was developed in 1995 to improve the flow of trade information in West Africa. A feasibility study on information needs and dissemination was conducted, which served as the basis for the design of the RTIC. The basic conclusion was that the RTIC should provide a virtual library and distribution point of information which could assist members in doing deals. A staff person with a background in trade information was hired to collect, analyze and disseminate information to members. This person received training from several strategic allies (World Bank, USAID, EU) on available databases and information tools. The RTIC also publishes the quarterly WAEN newsletter and the monthly Trade Flash, disseminated via email. This experience has been productive for WAEN and should be expanded to EAEN and SAEN.



### ***F. Public/private partnerships for reform***

73. As the Enterprise Networks developed an identity and began to speak out on proposed reforms, they became partners with certain national governments and regional economic institutions in the development of new approaches to economic issues. In this context, WAEN was a key proponent of the establishment of a Forum West Africa and individual national units debated tax, investment and sectoral policies with the relevant ministries. A regular series of regional conferences was established to continue to debate critical issues on the broader regional level, with stakeholders from the public, private and donor communities. EAEN and SAEN have also sought working relationships with the regional economic institutions in their geographic regions (EAC, COMESA and SADC).

### ***G. Allocation of resources***

74. Project funding began in September 1992. USAID was the sole donor for nearly 3 years and is the only donor which has provided funding to the Enterprise Networks each year since its creation. Canada and France funded as of mid 1995. Belgium, Switzerland and the World Bank contributed as of 1998. Approximate levels of donor contributions to WAEN through 2000 are \$3,250,000 (7-1/2 years); to EAEN \$855,000 (2 years) and to SAEN \$970,000 (2 years).

75. Approximate total annual financial contributions for the project are provided below. Funding covers both technical assistance (averaging 60-65% of total annual funding through 1999) and program assistance to the Enterprise Networks, e.g., travel to regional meetings, interpretation, special studies, regional conferences, representational travel, etc. (averaging 35-40% of total annual funding through 1999).

	WAEN	EAEN	SAEN
1993 (USAID)	\$400,000 (7 networks)		
1994 (USAID)	\$450,000 (10 networks)*		
1995 (USAID)	\$450,000 (13 networks)		
1996 (USAID, France, Canada, EU)	\$550,000 (13 networks)*		
1997 (USAID, France, Canada)	\$550,000 (13 networks)*		
1998 (US, France, WB, Swiss, Belgium)	\$300,000 “	\$200,000 (4 networks)	\$230,000 (7 networks)
1999 “	\$250,000 “	\$225,000 (6 networks)*	\$250,000 (10 networks)*
2000 “	\$300,000* “	\$430,000 (6 networks)**	\$490,000 (11 networks)**
2001 (proposed)	\$200,000 “	\$210,000 (6 networks)	\$275,000 (11 networks)
2002 (proposed)	\$160,000 “	\$175,000 (6 networks)	\$225,000 (11 networks)
TOTAL:	\$3,610,000	\$1,240,000	\$1,470,000

\*includes funds for regional conferences, ranging from \$40,000 (EAEN) to \$100,000 (WAEN) per conference

\*\* includes USAID TA contract in the amount of \$112,500 each for EAEN and SAEN

## ***H. Local ownership***

76. Local ownership was an important factor in ensuring that the networks would work towards sustainability. The fact that the national units have been entirely self-financed from the beginning has forced the groups into a practical approach to their programs and activities. Most national units have opted for a high degree of informality in their organization and initiatives, preferring to focus their efforts on business opportunities, and leaving the reform agenda to their regional Executive Committees. Each regional network retains its own distinct personality and orientation, and the action plan for each, despite several common objectives, is different.

## ***I. Sustainability***

77. The experience with WAEN over the last 7-1/2 years indicates that African entrepreneurs believe in the value of the Enterprise Network concept. Those individuals who looked to receive more than they gave have dropped out, and indeed, a few WAEN national Networks may have died out completely (Guinea, Togo, Chad). However, many of the original core WAEN members continue to participate actively in the annual regional meetings and to network among themselves. A new WAEN Executive Committee is to be elected in June 2000 and the debate on sustainability and leadership at this Annual General Meeting in Abuja should be telling regarding the long term perspectives of WAEN.

78. SAEN has weathered its share of troubled waters in the two years since its creation, with the resignation for professional reasons of two of the three Executive Committee (EXCO) members, and the loss of its first regional administrative manager. However, replacement EXCO members were elected in March 2000 to serve out the balance of the terms of the original members and revised action plan was adopted with ambitious goals for the next 2 years.

79. EAEN suffers from the small number of national units (7 with the addition of Djibouti as of March 2000, as opposed to 11 in SAEN and 13 in WAEN), which impacts the dues levied to support the regional secretariat. However, members have continued to date to contribute to the support of the regional secretariat in Addis, including countries as small and troubled as Rwanda and Burundi.

80. A key factor in the sustainability of the regional bodies is the credibility and efficiency of the regional secretariats and of the program of services offered by the regional body. This is the biggest challenge faced by the governing Executive Committees of each regional enterprise network.

## ***J. Donor coordination***

81. Coordination of donor efforts in support of the Enterprise Network initiative is both necessary and useful, for three basic purposes: (1) to unify objectives in providing assistance, (2) to share information on trade and investment needs and opportunities within the three regional networks, and (3) to examine innovative means of providing effective support (and eliminating ineffective support) for private sector development. Unfortunately, the donor steering committee for the Enterprise Networks has suffered from a lack of continuity among the donor representatives who attend the semi-annual meetings, which has handicapped the networking by the donor agencies with their bilateral or multilateral constituencies on behalf of the Enterprise Networks. On their end, the Private Sector Support Unit and the Enterprise Networks need to be more proactive in providing regular progress reports to the donors on Network activities and interests.

82. The Enterprise Networks represent an important resource for donors, particularly as concerns their private sector development strategies. They should be more regularly involved consultations with

their donor partners. For their part, the Networks must do more to report on their achievements as measured against performance indicators. Information on indicators can help ensure that donor support will continue to be provided.

83. The one example of donor coordination on substantive issues for the Enterprise Network initiative involved two consecutive workshops in 1994 and 1995 on financial instruments, organized by the Private Sector Support Unit and WAEN with major donors and bankers interested in the region. The intent was to make this an annual event. Although the idea of the West African Enterprise Fund did evolve from these workshops, there was little other meaningful follow-up and the initiative was dropped.

84. More practically-oriented donor/Network coordination could produce useful results, provided there is real interest, translating into time and finances, from the Networks in the joint projects. Examples of areas where members continue to request synergies are mechanisms for leveraging domestic savings mobilization with external funds, formulas for developing local capacity building resources, especially in much-needed management and technical skills, and information on bilateral/multilateral trade negotiations and incentives (e.g. the Africa Trade Bill in the U.S., the future EU/ACP agreement and WTO provisions).

#### **IV. Conclusions and recommendations**

##### **A. Conclusions**

##### ***Trade is not (yet) a high government priority in Africa***

85. Despite a wide variety of donor programs that tackle trade capacity from different angles- sectoral/cluster analysis, competitiveness analysis, policy impact assessment, subsidized feasibility and consultancy services to individual firms, association capacity building, research, partnerships, etc.- there have been few success stories in trade development in Africa (South Africa, Namibia, Mauritius are examples). If donors are to assist effectively in promoting trade capacity in Africa, they must ascertain first if national governments are willing to make trade a significant issue on their agenda and second if they are serious about cooperating with other countries to create a regional market and with the private sector to develop exports. Without political will, there is little that can be done by either the donor community or the indigenous private sector to develop trade capacity, other than the pursuit of one-off transactions. If governments are serious about enhancing trade, there is a series of immediate measures which are needed to enhance industrial competitiveness. These include:

- integrating and upgrading the regional transport infrastructure (road and rail), power grids and port facilities;
- actively promoting a shift towards value-added manufactured exports through focused incentives;
- adopting reasonable taxation rates and removing import duties on capital and intermediates;
- developing credible legal frameworks that enforce property rights
- implementing transparent and market driven privatization programs;
- creating export processing zones in gateway areas to the rest of the world;

- maintaining realistic exchange rates and continuing to liberalize trade;
- promoting flexible labor markets with reasonable wages.

***The formal private sector must lead the charge***

86. Trade capacity development must rely on leadership from the modern private sector in every export sector- agriculture, tourism, light manufacturing. Given this necessary partnership with modern sector firms, certain development constituencies may object that poverty alleviation has not been factored into the equation. Trade and export initiatives, if successful, should lead to increased jobs, but donors must be prepared to respond to criticisms of neglecting the poorest in their trade programs.

***Regional markets are key to the transition to globalisation***

87. Cutting their “export teeth” on the regional market is a necessary and useful step for local industry and agriculture, before launching into global competition. This was the learning curve practiced in Asia well before the birth of SADC, COMESA or UEMOA. It is time to move forward rapidly with the regional integration agenda, and to involve the private sector as a full and welcome partner in a process to identify the necessary incentives and financing mechanisms to promote the sustainable development of regional markets.

***Public/private partnerships must be real and regular***

88. Public/private dialogue is the only route to achieving real progress in trade capacity development. These partnerships must go beyond incentives and finance in support of trade, to engage meaningful dialogue on the fight against crime and corruption, human resource development and technical training and the prevention of HIV/AIDS in every region of Africa.

***Enterprise Networks can play a pivotal role in regional and international trade development***

89. As regional organizations of new generation entrepreneurs, the Enterprise Networks constitute a unique private sector capacity to pursue regional and international business opportunities and to develop and implement a reform agenda targeting trade and investment. To be most effective in their mission, the Networks must seek strategic allies who will work in *active partnership* to identify and promote opportunities for joint technical, investment and commercial ventures, including offshore investment groups, investment fund managers, private sector divisions of donor agencies, regional economic institutions and their own national investment promotion agencies and ministries of trade and industry. To maintain their credibility, the Enterprise Networks must remain highly selective and results-oriented and should move as rapidly as possible to financial autonomy from the donor community. They must actively publicize the success stories in their midst and focus their energies on the challenge of mobilizing domestic savings for private sector investment in their home countries and in their regions. They have a special challenge to promote their region as an investment destination to the outside world.

## B. Recommendations

90. Based on experience with the Enterprise Networks and their trade capacity development, the following summary recommendations are made for donor trade-capacity related programs and coordination:

### *Make regional integration a priority*

91. Donors can provide useful value-added by urging and supporting acceleration and rationalization of the regional integration process in West, East and Southern Africa, through the following types of initiatives:

- Emphasize and reshape the *process* for achieving regional integration by focusing on strategic management of the reform agenda, involving all relevant stakeholders- government, private sector and civil society- in that process, sharing information on policy and proposals with stakeholders, and instituting a system for ongoing performance monitoring and evaluation.
- Assist in rationalizing the various regional integration programs, especially where significant inherent overlap occurs (UEMOA and ECOWAS; SADC, EAC and COMESA);
- Consistently and regularly involve the private sector (small, medium and large firms in the modern sector) in the design and development of regional integration strategies and programs (recognizing the private sector as an independent entity);
- Provide co-financing mechanisms to facilitate private sector involvement in the regional integration process, particularly for capacity building on technical issues and participation at meetings and conferences, and to promote organization of regional trade missions, trade fairs, inter-industry visits, etc., working through regional private sector organizations like the Enterprise Networks;
- Encourage informal regional clusters of private sector operators in sectors such as poultry, fisheries, horticulture, tourism, etc., to discuss production, marketing, transport issues in the region;
- For firm level support, focus on the modern firms who have the capacity to quickly increase competitiveness and subsequently to create jobs for others in the sector;
- Foster a regional approach to investment by developing tools, materials and training for investment promotion agencies (IPAs) and assisting them to implement campaigns to promote the regional market as an investment zone, thereby improving the market-attractiveness factor in investment evaluation and decision making.

On its end, the private sector can support trade capacity development for regional (and subsequently global) markets by taking the following initiatives:

- Investing in capacity building through education and training to develop a better skilled labor force and to increase management capacity;

- Adopting a regional outlook in corporate strategic planning, business development, and investment appraisal;
- Designing creative programs and financing mechanisms that generate economic benefits, productivity improvements, and enhanced competitiveness, while supporting SME development, such as:
  - Giving preference to MBOs when selling non-core businesses and allowing payments from future cash flows (keeping title over assets and dividends until the full purchase price is paid)
  - Creating SMEs out of non-core activities (e.g., cleaning, security, catering, repair and maintenance, etc.) while allowing for a captive-market period
  - Developing sub-contracting strategies that include mentorship and training elements and performance based compensation
  - Implementing employee share-ownership schemes based on profit improvement share-payment mechanisms coupled with productivity enhancement training;
- Assisting donors in designing private-sector development programs to ensure that programs are developed with a private-sector frame of mind and in the spirit of the private-sector's quest for efficiency and effectiveness;
- Creating a regional-deal pipeline mechanism that feeds investors and investment funds with regional investment-project opportunities.
- Bringing together financial sector representatives on the regional level to exchange ideas and propose solutions regarding financial institutions and instruments adapted to the needs of the regional African private sector..

***Assist in increasing access to MT/LT financing***

92. Private sector driven initiatives to mobilize domestic savings for investment in trade-related projects should be encouraged and means sought to assist groups such as the Enterprise Network to leverage additional external resources to complement the domestic funds which they have raised.
93. Regional investment funds, such as the West African Enterprise Fund, should be publicized, monitored and replicated.
94. Information on mechanisms for medium term lending for capital equipment purchases in support of trade projects should be made widely available, including mechanisms utilized by the various EXIM Banks.
95. Creation and expansion of leasing companies to finance capital equipment should be encouraged and case studies prepared on success stories (ulcMozambique).

***Encourage private business/business linkages programs***

96. Offshore private sector business organizations can make a meaningful contribution to the capacity development of their African counterpart organizations, particularly those which bring together African entrepreneurs who can work in partnership with offshore investors. The experience with the SAFRI (Southern African/German Business Initiative) and its “Entering Foreign Markets” workshop is a case in point. Another is the U.S. Corporate Council on Africa’s South African International Business Linkages program (SAIBL) and West African International Business Linkages Program (WAIBL). Donor support to assist other such bilateral private business to business programs on a cost-shared basis would be useful for groups such as MEDEF/France, BABA/U.K., MASSCORP/Malaysia, and networks of private business persons, such as the World Bank’s MEBIN, based in Paris. The same linkages can also serve to promote innovation in subcontracting arrangements between multinationals and smaller African firms.

***Promote use of IT and facilitate information flows for trade***

97. Allocation of donor resources to support and enhance the use of IT and to facilitate information flows for trade are excellent investments, especially as internet access and use grows in Africa. Website development for Ministries of Trade, regional economic integration institutions, private sector organizations and investment promotion agencies are critical. Programs to develop, catalogue and encourage links among sources of electronic information on trade and investment are needed. Subsidies which assist SMEs to purchase and utilize hardware and software for internet connections and to train staff on information searches and uses are also productive investments. Deregulation and liberalization of telecommunications and waiver of taxes on computers and software for businesses should be encouraged.

***Encourage productive trade promotion forums***

98. To build capacity to organize such events, government and donor officials responsible for trade programs should participate in business fora which focus on dealmaking, including Southern African Economic Forum summits, Southern Africa Enterprise Network regional conferences, International Herald Tribune Trade and Investment Summits, SMART partnership meetings in Southern Africa.

***Strengthen multilateral trade negotiation capacity***

99. Public and private officials need access to expertise which they often lack to analyze important policy issues. Donors could assist in organizing and conducting workshops on issues such as WTO compliance or the impact of proposed trade policies on trade in Africa. Representatives of the African private sector should be represented on all negotiating missions for WTO and EU-ACP

***Publicize success stories***

100. There are a number of success stories among African SMEs who have successfully engaged in exports or who provide services in support of trade. These success stories should be documented and publicized to encourage other entrepreneurs. From the Enterprise Networks alone, the following sampling of individuals have very successful ventures:

*WAEN:*

- Boureima Wankoye, Achat Services Interational, Niger (integrated gomme arabique operations)
- Ken Ofori-Atta, Databank Financial Services, Ghana (West African Enterprise Fund, Databank Ghana expansion to Nigeria, Mali and Cote d'Ivoire)

*EAEN:*

- Eskinder Joseph, Meskel Flowers, Ethiopia (horticulture)
- Peter Kibiriti, KENInvest (venture capital) and EnterpriseAfrica (business magazine), Kenya

*SAEN:*

- Jacinto Mutemba, Agro-Alpha, Mozambique (agricultural implements and construction)
- Kuf Munynida, NEXT Technologoy, Zambia (software systems and solutions)

***Create a donor/public/private sector focus group***

101. A starting point for developing donor consultation and coordination is the creation of a focus group bringing together committed stakeholders in regional and international trade in Africa, to meet regularly to discuss and evaluate assistance mechanisms and to report to countries and private sector organizations on outcomes. Evaluation of programs such as Ghana's JITAP (Joint Integrated Technical Assistance Programme from WTO, ITC and UNCTAD), Mauritius' Joint Economic Commission and the EU's PRIDE for the Indian Ocean Rim (Programme régional intégré de développement des échanges) would be useful first exercises. Useful recommendations regarding indicators for trade capacity development, process approaches for regional economic integration, and domestic savings mobilization for trade projects could be made by this group.



## ANNEX

**CLUB DU SAHEL**

**PRIVATE SECTOR DEVELOPMENT SUPPORT PROGRAMME**

**MEETING OF THE PSSP STEERING COMMITTEE**  
*Paris, 28 and 29 October 1999*

The Steering Committee of the Private Sector Support Programme (PSSP) met in Paris on 28 and 29 October 1999 under the chairmanship of Mr. Henri-Paul CART.

Present at the meeting were: 1) the Swiss, Belgian and French Co-operation authorities, the World Bank, USAID, the European Community, the Japanese Delegation to the OECD, 2) the members of the Executive Committees of the three African Enterprise Networks (WEAN, EAEN and SAEN) and 3) the Director of the Club du Sahel, the OECD Financial Controller and the acting head of the PSSP.

The following items were on the Agenda:

**1. Report by Mr. BERBERAT**

Following the liquidity crisis experienced by the PSSU in mid-1999 and the departure of its head, the Chairman of the Committee asked Mr. BERBERAT to conduct an analysis of the situation. To this end, the consultant met with representatives of the three Networks, of the co-operation agencies which supported the PSSU and of the business community.

The report that he produced very largely reflected the concerns expressed by the agencies and the Networks regarding the future structure of the PSSU and the body it was to be attached to administratively. On this point, the Networks expressed a preference for a lightweight structure which would absorb only a reasonable proportion of the Programme's resources (20%). On the second point, in the absence of any precise alternative, the Networks were in favour of maintaining the status quo (attachment to the Club du Sahel).

With respect to the Programme's future relations with the Enterprise Networks, the provisions of the written agreement signed in June 1999 between the WAEN and the Director of the Club du Sahel Secretariat were cited as an example, and it was recommended that relations between the PSSP and the other two Networks be based on the said agreement.

**2. Report by the OECD Financial Controller**

Having been asked for his opinion on the administrative and financial management of the PSSP, the OECD Financial Controller pointed out that the Programme was managed administratively by the Secretariat of the Club du Sahel and had, therefore, to comply with the OECD's rules, which it had not always done. The financial rules had not always been respected, expenditure having been committed without having been planned for in the budget, and evidence of expenditure having been produced after the event and needing better verification.

Generally speaking, the report confirmed the view that the Programme's past management had been rather too informal. It was recognized by both lenders and recipients that the project had suffered

from the outset from a lack of clearly defined rules of the game. While the project had started off on an “informal” basis, its geographical extension and the increased number of institutional actors (new lenders, new Networks) meant that it now needed to adopt management methods which were more formal and in compliance with OECD rules (procurement for consultants’ contracts, commitment of funds...).

The Financial Controller confirmed that the PSSP had from now on to be managed in a transparent manner and in accordance with the OECD’s internal procedures; the administrative authority of the Club du Sahel Secretariat was altogether unambiguous in this respect.

### **3. Presentation of the three Networks**

Prior to the meeting, the three Networks had met in early October in Bujumbura, where they discussed their respective experiences and decided to step up their co-operation over the coming months. A shared position was also arrived at concerning the future of the Programme.

On the basis of this first meeting, the representatives of the Executive Committees of the three regional Networks endeavoured to put together a common presentation. They discussed how the three Networks had developed, what they had achieved and what challenges lay ahead, particularly regarding the sustainability and future direction of the concept. Their presentation may be summed up as follows:

#### Future of the Networks:

- Ownership in the hands of the beneficiaries of the project;
- Organisation based on excellence;
- Continent-wide organisation.

#### Future of the Programme:

- Transparent implementation procedures;
- A means of supporting the implementation of the regional Networks’ strategic action plans;
- No traditional technical assistance, but partnership based on demands expressed by the regional Networks;
- A Programme with a limited time horizon and with value added consisting of the transfer of the three regional Networks’ know-how and the way they interface with the outside world.

Following the above presentation, discussion turned to the programme of work of the three Networks. The attention of the members of the Committee focussed on the main themes, and they asked that the latter be converted into action plans, with a reference to performance indicators. The three Networks promised that the documents in question would be ready by the beginning of December 1999.

### **4. Report on the activities of the PSSU**

The acting head of the Programme gave an update on the different activities pursued since the Steering Committee’s last meeting in June 1998. He highlighted both what had been achieved, and also the difficulties encountered because of the failure to pay certain contributions, and organisational shortcomings. The report did not elicit any special comments.

### **5. The 2000/2002 PSSU Programme of Work**

Prior to its presentation, the Programme had been the subject of lengthy discussions with the different Networks, and naturally it was consistent with the Networks’ strategic action plans. It was the last such Programme to be put in place at the OECD since, after phase 1 (1994-1997) and phase 2

(1998-1999), the PSSP would in 2002 be relocated in Africa. In summary, the Programme centred on the following activities:

- Implementation of measures meeting the direct requirements of members and of the Networks' organisational structures;
- Design of mechanisms for generating revenue so as to make the system financially independent;
- Interconnection between the three Networks and gradual introduction of an Africa-wide strategic action plan.

The Networks have been very much involved in drawing up the Programme, which attaches great importance to the priorities stressed by the Networks. This means that there is no longer any conflict of interest between the manager of the PSSP and the Networks.

**Most of the agencies present were of the opinion that, while the Programme did reflect an overall view of the Networks' requirements, it was still too general. The Committee therefore asked that a detailed action plan for 2000 be submitted to it within 1 month; this plan would show: 1) the respective contributions of the agencies and of the Networks themselves (in financial terms and in kind) in the context of the implementation of their strategic action plans, and 2) the benchmarks to be used to measure the results achieved.**

To this end, the Committee needs to have a workable document that can be used as a flexible tool with which to monitor the management of the Programme. Its presentation could be as follows:

<b>Actions</b>	<b>Objectives</b>	<b>Resources used</b>	<b>Expected results</b>	<b>Costs</b>
Benchmarks				in \$ and in kind

The three Networks undertook to produce the document showing their contribution (in cash and in kind) by end-December, as part of their strategic action plans.

## **6. Budget, organisation and management of the PSSP**

In budget terms, three scenarios had been proposed: a lower one based on 30 months and a sum of FF9.1 million, an intermediate one involving the same length of time but FF13.1 million and, lastly, an upper one involving a budget of FF15 million over a period of 36 months. It was the latter scenario that was finally adopted, i.e. FF15 million for 3 years:

(FF million)

	2000	2001	2002	Aggregate
1. PSSP costs	1.2	1.2	1.2	3.6
2. WAEN programme	1.3	0.9	0.7	2.9
3. EAEN programme	1.4	1.0	0.8	3.2
4. SAEN programme	1.8	1.4	1.1	4.3
5. Interconnection	0.3	0.3	0.4	1
<b>Total</b>	<b>6</b>	<b>4.8</b>	<b>4.2</b>	<b>15</b>

The scale adopted provides for a bigger concentration on the new regional Networks, with the WAEN's funding being more degressive. Even so, a number of agencies proposed that the level of mobilisation of internal resources should serve as allocation criteria.

Subject to the information requested by the Committee being forthcoming (detailed action plan for 2000, showing the respective contributions of the donors and Networks, as well as indicators of the results achieved), the position of each of the agencies may be summed up as follows:

- ❑ Belgium: commitment of BF7 million per year for the duration of the Programme, to be confirmed each year. Belgium's contribution for 2000 could be disbursed in late 1999;
- ❑ Switzerland: idem (SF300 000 per year for 3 years);
- ❑ France: agreement for three years, but for a smaller amount: FF300 000 for the first quarter of 2000 and 1.8 million at the end of the year for the remainder of the Programme;
- ❑ World Bank: the Bank's contribution for FY1999 (\$300 000) has been approved, but it can only be paid once the 2000 action plan, which is to be proposed, has been accepted. The Bank's representative pointed out that its contribution could not be more than 15% of the total cost of the Programme
- ❑ USAID: 3-year financing is planned as part of the ATRIP programme and will be confirmed once the details requested have been accepted (amount unspecified);
- ❑ European Union: no participation in PSSP financing, but work carried out directly with the Networks;
- ❑ Japan: is interested in taking part in the discussion, but on condition that there is a detailed action plan, that the certified accounts for 1998 and 1999 are made available and that the Club du Sahel Secretariat formally undertakes to abide by its administrative responsibilities.

## **7. Functioning of the Programme (institutional attachment, Steering Committee, structure)**

As far as institutional attachment is concerned, it was decided to continue with the present system, whereby the Club Secretariat has administrative responsibility.

Along the same lines, it was decided that the Steering Committee, which is technically in charge, should have actual responsibility rather than being merely an advisory committee. It was proposed that it meet whenever necessary, and at least twice a year - at the end of the first quarter to approve the accounts and towards the end of the year for the budget.

For 2000, the first meeting will be held in late February and deal with the detailed action plan. It will look at the situation regarding financial commitments and discuss the question of Mr. Cart's successor as chairman of the Committee. Another meeting is scheduled for the last quarter and will consider the 2001 programme of work. The 2000 financial report will be submitted in 2001, once the OECD accounts have been settled. Also, the three Networks and the PSSP will be required to submit quarterly reports.

The PSSP's management structure will have to be reduced to a maximum of two people, one person in charge of the Programme and a full-time administrative and financial assistant. A profile for the Head of Programme post was submitted to the Committee for its consideration. Candidates will be sought within the OECD and the agencies participating in the financing of the Programme.

The members of the Committee asked that the proposed draft profile be amended (so as to specify the place of work and establish that the Head of Programme does not have two immediate superiors) and a selection was set up to support Mrs. Damon in her choice. In addition to Mr. Cart, it is made up of representatives of Belgium and France (Mr. Frix and Mr. Humbert, respectively), of a representative of the three Networks, who will be appointed by them and, lastly, a private sector specialist from the OECD.

### References

Berberat, Philippe, *Appréciation de l'organisation et des modalités d'action de la cellule d'appui au secteur privé en faveur des réseaux de l'entreprise en Afrique de l'ouest, Afrique de l'est et Afrique australe*, August 1999.

OECD/Club du Sahel. *La perspective du secteur privé sur un plan d'action* (Dakar, 22-25 November 1991, Document No. SAH/D (92) 388, Paris, 1992.

Orsini, Deborah, Michel Courcelle and Derick Brinkerhoff, *Increasing Private Sector Capacity for Policy Dialogue: The West African Enterprise Network*, World Development, Vol. 24, No. 9, pp. 1453-1466, 1996.

Southern African Enterprise Network, *SAEN 2000 Strategic Action Plan*, SAEN Secretariat, Lusaka, Zambia, March 2000.

Southern African Enterprise Network, Conference Working Papers No. 1 and 2, SAEN Regional Conference, Mauritius, June 1999.

World Economic Forum, *The Africa Competitiveness Report 1998*, in collaboration with HIID, Geneva Switzerland, 1998.

World Economic Forum, Report on the 1999 Southern Africa Economic Summit, Durban, South Africa, 4-6 July 1999.